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**From economic growth to economic
retardation (1850s - 1980s)**

A review of the economic and social history literature



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The Argentine: from economic growth to economic retardation (1850s - 1980s)

A review of the economic and social history literature

Colin M. Lewis

The debate about a failure to sustain growth and the process of relative (or absolute) decline is of more than academic interest. For much of the period addressed by this paper, Argentinians have been aware of the international economic 'ranking' of their country. Drawing positive comparisons between national and US growth trajectories around the end of the nineteenth century, several commentators argued that the future was bright while some political leaders predicted a continental leadership role for the country. Immigrants from Italy and Spain, who arrived in large numbers in the 1880s and the 1900s, testified to the fact that material conditions were then massively better in the republic than in Europe. By the 1920s *per capita* incomes were high by European and Latin American standards and gaining relative to salaries and wages in other areas of recent settlement like Australia. During the inter-war decades, the Argentine was easily the most prosperous economy in South America - accounting for around half continental output and overseas trade - and by far the most industrialised. This position was maintained for much of the second quarter of the twentieth century. Later, by the 1960s, negative contrasts were being made with the course and pace of development in neighbouring republics and other economies. Argentinians were even less confident about their prosperity and international position by the 1980s.

This paper examines the historical growth record and surveys the historiography in search of an explanation for the apparent inability to effect a smooth transition from rapid growth and institutional change at the end of the nineteenth century to a developed polity and economy during the second half of the twentieth. The paper begins by displaying output and income data for the last one hundred years or so and then schools the literature and reviews principal contributions to an analysis of the 'Argentinian economic involution'.

The historic growth record

Recent calculations by Roberto Cortés Conde and Angus Maddison broadly corroborate earlier research by Carlos F. Díaz Alejandro. Díaz Alejandro argued that the economic performance of the republic around the turn of the century set an interna-

tional record.¹ Few countries can match the Argentinian experience from the 1870s to the eve of the First World War in terms of high rates of growth sustained over a relatively long period. Initially lacking reliable statistical data for GDP, Díaz Alejandro was content to make this assertion on the basis of information about overseas trade, frontier movement (the extension of land under cultivation), immigration and population growth, and public overhead capital investment represented by the railway system. The international record set during these decades probably stood until the late twentieth century when it was broken by rapidly industrialising East Asian countries like Taiwan and South Korea.²

Table I

The Argentine: annual average rates of growth

a) Aggregate Output		b) GDP per capita	
1875-1896	3.7%	1870-1890	1.9%
1896-1912	2.3%	1890-1913	2.2%
1912-1928	-0.1%	1913-1950	0.7%
1928-1948	2.3%	1950-1973	2.1%
1948-1961	0.3%	1973-1989	-2.2%
1961-1976	2.3%		
1976-1987	-1.8%		

Source: (a) R. Cortés Conde 'El crecimiento económico de la Argentina en el largo plazo' unpublished paper presented at Carlos III University, Madrid, 26-27 May, 1994.
 (b) A. Maddison 'Long-run Economic Growth in the European Periphery' unpublished paper presented at the European Historical Economics Society Workshop, La Coruña, 1993. [For slightly different published data, see 'A Comparison of Levels of GDP Per Capita in Developed and Developing Countries, 1700-1980', *Journal of Economic History*, 43:1 (1983) Table 1.]

- 1 C.F. Díaz Alejandro, *Essays on the Economic History of the Argentine Republic*, (New Haven, 1970) pp.2-3.
- 2 R. Summers and A. Heston, 'The Penn World Table (Mark5): an expanded set of international comparisons, 1950-1988', *Quarterly Journal of Economics* 106:2 (1991) 327-368. Summers and Heston (Table III, pp. 357-8) estimate GDP growth at 9.3% (1960-73), 6.9% (1973-1980) and 8.3% (1980-88) for South Korea and 10.5%, 8.4% and 6.7% for Taiwan: Díaz Alejandro (*Essays*, p.3) guesses that aggregate Argentinian GDP grew at a rate of at least 5% p.a. for the 50 years before 1914.

Table I displays the magnitude of the Argentinian achievement. Until the First World War the economy grew rapidly. Indeed, rates of growth of output during this period established not only an international record but set a domestic benchmark that is only now being equalled. This feat is all the more remarkable given that population expanded rapidly. High rates of growth *per capita* were sustained notwithstanding the fact that total population doubled between 1869 and 1895, the dates of the first and second national censuses, and again between 1895 and 1914 when the third census was taken. Between 1869 and 1914, annual rates of population increase averaged 3.4 percent.³ Net inter-continental immigration accounted for approximately half the growth in population during the period and was most intense in the 1880s and the years immediately before 1914.

The above table also suggests that the First World War had an adverse impact on the economy. Aggregate output growth was negative between 1912 and 1928, notwithstanding a fairly strong recovery in the mid 1920s, the average being depressed by a sharp economic contraction in 1914 followed by further falls in 1916 and 1917. As in many open economies, the foreign trade sector was thrown into chaos in 1914 by the closure of European financial markets, the disruption of international shipping services and the decline in world commerce. Sources of long-term capital dried up and access to commercial credit was denied as northern hemisphere banks sought to strengthen domestic balance sheets by calling in loans.⁴

Exogenous shock was rapidly transmitted to the domestic economy through a decline in purchasing power and fiscal contraction. Argentinian governments had long financed a significant part of current expenditure as well as investment by borrowing overseas. However, as in the early 1930s, some sectors began to pick-up fairly quickly. In the last quarter of 1917, recovery seemed to become more generalised. The collapse in exports production bottomed while the terms of trade improved considerably, aided by Allied purchases of basic commodities. Recession returned with the end of the post-War re-stocking boom but by late 1925 most production indices were again moving up and the domestic and external positions strengthened later in the decade. This recovery heightened the impact of the crash in 1929. Yet by 1933 domestic output began to recover and by 1935 had already exceeded the level of 1929.⁵ Cortés Conde estimates that the GDP index, which stood at 405.3 in 1929 (1900=100), contracted to 370.7 in 1930 and 363.9 in 1931 before bottoming out in 1932 at 346.5. There was a slight recovery in 1933 but production surged in 1934 and again in 1935 by which time the

3 Díaz Alejandro, *Essays* p.3.

4 B. Albert, *South America and the First World War: the impact of the war on Brazil, Argentina, Peru and Chile*, (Cambridge, 1988), p.37, 38.

5 G. Di Tella and M. Zymelman, *Las etapas del desarrollo económico argentino*, (Buenos Aires, 1967), appendices B and C.

index stood at 428.4.⁶ The strength of recovery was quite remarkable, not least in view of a 14 percent decline in aggregate output between 1929 and 1932 and the fact the export earnings had plummeted by 34 percent in 1930.

As Cortés Conde shows, the overall record for the second quarter of the twentieth century was not too dissimilar to that of the immediate pre-First War years. Again the *per capita* growth figure was lower due to continuing high rates of population growth: population doubling once more between the third national census and the fourth, taken in 1947. Although substantially down on the pre-1914 period, immigration remained strong for much of the inter-war decades and the rate of natural increase was lifted by the pre-war immigration bulge. Between 1913 and 1929 the annual average rate of population increase was 2.8 percent and from 1929 to 1939 1.8 percent compared with 3.5 percent between 1890 and 1913.⁷ Thereafter, rates of demographic growth fell away dramatically. Lower population growth undoubtedly contributed to the relatively positive performance of the economy during classic period of import-substituting industrialisation. This is implied by the close proximation of aggregate data provided by Cortés Conde for the period 1961-76 and the *per capita* statistics of Maddison for 1950-1973.

Maddison and Cortés Conde also concur that overall economic performance in the twentieth century has been marred by sluggish or negative growth in two distinct periods: (i) the First World War and immediate post-war years and (ii) the late 1970s and 1980s. The latter dates are virtually coterminous with the years of military rule and the debt crisis. As indicated below, it was also during these two periods that the position of the Argentine exhibited most slippage relative to comparable economies. Growth rates were faltering before the military seized power in 1976 and the *proceso argentino* was explicitly presented as a project to restructure economy and society. Rejecting the post-Second World War consensus in favour of import-substituting industrialisation, the armed forces and civilian technocrats argued that sustainable growth would be achieved by the application of neo-liberal shock therapy and renewed opening to the world economy.⁸

6 R. Cortés Conde, 'Estimaciones del producto bruto interno de Argentina, 1875-1935', Universidad de San Andres, Economía, Documentos de Trabajo No. 3, Buenos Aires, 1994, p.17.

7 A.M. Taylor, 'Three Phases of Argentine Economic Growth', National Bureau of Economic Research Working Paper, Cambridge, Mass., 1994, pp.5-7, 24 (Table 2).

8 L.A. Sjaastad, 'Argentine Economic Policy, 1976-81' in R. Dornbusch and G. Di Tella (eds.), *The Political Economy of Argentina, 1946-83* (London, 1989) pp.254-5; D. Azpiroz and B. Kosacoff, 'Exports and Industrialization in Argentina, 1973-86', *CEPAL Review* 36 (1988) 62.

As stated above, the First World War and its aftermath and the half decades either side of 1980 were years when the relative economic performance of the Argentine began to diverge from that of other countries listed in the data sets.

Table II
Comparative Economic Performance:
Annual Average Rates of Growth of GDP per capita

	Arg	Brazil	Mexico	Aus	Canada	UK	USA
1900-1913	2.5	1.4	1.8	1.1	3.3	0.7	2.0
1913-1950	0.7	2.0	1.0	0.7	1.5	0.8	1.6
1900-1950	1.2	1.8	1.2	0.8	2.0	0.8	1.7
1950-1973	2.1	3.8	3.1	2.5	2.9	2.5	2.2
1973-1987	-0.8	2.2	0.9	1.5	2.2	1.5	1.5
1950-1987	1.0	3.2	2.3	2.1	2.0	2.2	1.9
1900-1987	1.1	2.4	1.6	1.4	2.3	1.4	1.8

Source: A. Maddison *The World Economy in the Twentieth Century* (Paris, OECD, 1989) pp. 15, 35.

Comparative statistics collated by Maddison confirm that at the beginning of the twentieth century the Argentine was one of the fastest growing economies in the Table II group. Although somewhat out-performed by Canada from 1900 to 1913, Argentinian annual average rates of growth *per capita* were higher than those for the USA, for other Latin American republics and for Australia, economies with which it is conventionally compared. The following period saw the country slip from the top of the table to the bottom, indicating that of the countries listed, the Argentine was most adversely affected by war and depression. While the growth record was substantially better from 1950 to 1973, the republic was out-performed by every other country. It was during this period that the 'growth gap' with Latin American economies widened against the Argentine. Having grown substantially more rapidly than Brazil and Mexico in the half-century before the First World War, the country now lagged considerably behind those economies. Between 1973 and 1987, the Argentine is the only country in the set to register negative growth. Given the impressive rate of economic growth achieved around the turn of the century, some slippage was inevitable. The critical question is why, unlike Canada which grew particularly rapidly immediately before the First World War, the Argentine was unable to maintain median rates of growth thereafter.

Similar evidence of divergence and deceleration is provided by *per capita* output estimates compiled by Díaz Alejandro (Table III). His data for the Argentine, Australia and Brazil closely parallel trends described by the calculations of Maddison.

Table III
Gross Domestic Product per capita

(a) (US\$ at 1970 prices)			
	The Argentine	Australia	Brazil
1880	470	1520	139
1901	780	1360	190
1913	1030	1690	230
1928	1200	1590	340
1939	1170	1670	430
1945	1280	1940	470
1955	1380	2340	670
1970	1960	3470	1100
1973	2049	3723	1459
1980	2184	4022	1924

Source: Carlos F. Díaz Alejandro 'No less than One Hundred Years of Argentine Economic History plus some Comparisons' in A. Velasco *Trade, Development and the World Economy* (Oxford 1986) p. 233.

(b) (US\$ 1965 at factor cost)						
	Argentina	Brazil	Mexico	Spain	UK	USA
1870	420	101	110	-	668	567
1913	804	169	143	444	1025	1344
1950	1013	309	282	401	1439	2384
1965	1301	479	427	976	2046	3229
1980	1632	1113	643	1608	2544	4295

Source: A. Maddison, 'A Comparison of the Levels of GDP per capita in Developed and Developing Countries, 1700-1980' *Journal of Economic History*, 43:1 (1983) 27-42.

Despite different starting points, Díaz Alejandro shows how the republic began to 'catch-up' with Australia between the 1880s and 1920s. Subsequently, the gap widened as Australian GDP surged ahead. The contrast with Brazil is also remarkable. Between 1955 and 1980, Brazilian GDP *per capita* virtually tripled while the Argentinian figure grew by barely one half. The story told by Maddison's larger set is similar.

To return to the earlier data of Cortés Conde and Maddison (Table I). Notwithstanding a periodisation based on different turning points, they offer a fairly similar chronology of long-run development. Their approaches point to long swings rather than sharply schematised stages suggested by Di Tella and Zymelman.⁹ The increasing availability of refined quantitative and qualitative data for post-1870 decades provides reasonably solid evidence to support the argument that the half-century before 1912-14 was the most dynamic epoch in recent Argentinian economic history. Major international events such as the two World Wars and the 1929 crash had a major impact though are not universally accepted as significant watersheds. Nevertheless, the inter-war years were obviously a period of adjustment and, possibly, restructuring. Thereafter, long-run rates of growth were far from unimpressive, at least until the 1970s. Very recent calculations by Cortés Conde support two additional interpretations. First, they indicating three distinct phases in modern Argentinian economic history. From the mid 1870s until 1912 there was a strong growth trend. Despite sluggish performance in the mid 1870s and around the turn of the century and a downturn in the early 1890s, GDP *per capita* registered a sharp up-swing. In the inter-war decades there was a plateau: there were two sharp cycles but little overall trend. Immediate pre-First World War level of output *per capita* were not recaptured until the late 1930s. Thereafter another strong up-swing occurred, lasting until the mid 1970s. Second, the data also shows that after each major down-turn, recovery took longer. Following the first Baring Crisis of 1889, GDP *per capita* had already registered a strong recovery in 1892. With the shock of the First World War, the downturn which started in 1913 ended in 1916. Similarly, following the pre-inter-war depression peak of 1928, the low point was 1932. The downturn which began in 1947 ended in 1952 but the down-swing that started at the end of the 1970s did not bottom out until virtually a decade later.¹⁰ This again raises the issue of divergence. Not why the Argentine diverged substantially from average international performance during the phase when the country was growing particularly rapidly around the turn of the century, but why it failed to sustain rates approaching the international mean thereafter.

9 Di Tella and Zymelman, *Las etapas*, pp.22-32.

10 Cortés Conde, 'Estimaciones', p.17 and 'The Growth of the Argentine economy in the long-run, 1875-1988' unpublished paper presented at the London School of Economic and Political Science, November, 1995.

What the periodisation adopted in Table I disguises is increasing economic volatility during the second half of the twentieth century, particularly in the early 1960s, the latter part of the 1970s and in the 1980s. Annualized indices register only one year of negative growth between 1900 and 1913. In the turbulent period from 1914 to 1946, inclusive, the economy failed to grow on only eight occasions. In the 1950s and 1960s there were two years of negative growth each decade: in the 1970s three and in the 1980s five, including 1988 when the level of economic activity contracted by about a quarter.¹¹ These were also years of ratcheting inflation, culminating in bouts of hyperinflation between 1988 and 1990. Around the middle of the twentieth century, economic cycles shortened. Three-to-five year cycles displaced the previous pattern of approximately eight year swings.¹² Di Tella and Dornbusch chart the increasing volatility of the economy and accompanying political decomposition in terms of regime change. Between the inauguration of the first administration of Juan D. Perón in 1946 and that of Alfonsín in 1983 there were 19 presidents (the constitutional term was six years) and 38 Ministers of the Economy.¹³ Between 1946 and 1983 only one president served a full term and there were 13 military *golpes*, on several occasions one faction of the armed forces intervening in order to oust a general who had lost the confidence of his colleagues or been installed by a different clique.

The collapse of democratic institutions is variously dated as occurring in 1930 when, with widespread civilian support, the Army overthrew popularly elected President Hipólito Yrigoyen of the Unión Cívica Radical (1928-30) or in 1943 when the armed forces again intervened with substantial civil support to overturn the particularly corrupt administration of Vice-President Ramón Castillo (who had taken over from a terminally ill Roberto M. Ortiz [1938-1942]) or in 1955 when the second Perón administration was turned out, the *coup* enjoying widespread middle class support. However, if military action in 1930, 1943 and 1955 attracted substantial or even massive civilian approval, thereafter interventions by the armed forces tended to be determined by an agenda framed almost exclusively in military and, to a much lesser degree, business circles. After 1955 the only *golpe* to attract broad civilian support (or relief) was the overthrow of Isabel Perón in 1976.

What was the relationship between economic and political cycles? Did the decomposition of political institutions prefigure economic collapse or did economic stasis reveal the fragility of political and social institutions, precipitating a descent into violence?

11 *Statistical Abstract of Latin America* and *The Americas and Australasia* various issues.

12 Díaz Alejandro, *Essays*; Di Tella and Zymelman, *Las etapas*. See also Di Tella and Dornbusch (eds.) *The Political Economy of Argentina* and C.M. Lewis, 'Cycles and Macroeconomic Policy since the 1930s' in C.M. Lewis and N. Torrents (eds.) *Argentina in the Crisis Years, 1983-1990* (London, 1993).

13 Di Tella and Dornbusch (eds.) *Political Economy* pp.xiii-xvi.

ce? Few would deny that the apparently 'permanent' crisis of political institutions after 1955 (or 1930) influenced the level of economic activity. Students of Argentinian political history offer a chronology that parallels phases of expansion, adjustment and instability demarcated by economic historians. The 1850s and 1860s witnessed the formation of an oligarchic state whose institutions proved remarkably durable from the 1870s to the 1910s. Were the years around the turn of the century a period of reform, culminating in new electoral arrangements (the Sáenz Peña law of 1912) that ushered in an experiment in democracy between 1916 and 1930? Or was this period simply an extension of the oligarchic republic despite the veneer of formally democratic politics? Nationalism, though not unchallenged, was the dominant current from the 1930s to the 1970s and may have served for part of this period as a force for social cohesion or at least masked growing social antagonisms as first the middle classes and later the urban proletariat clamoured for access to political power. The 1980s and 1990s marked a retreat from nationalism and a new search for durable political institutions.

Explaining economic involution

Why did the early promise of rapid economic growth at the turn of the century not translate into sustained development? Historians have grappled with this question to little avail. In the process Argentinian economic historiography has become riven by dispute which has tended to demonise rather than inform. Too often the search for explanations has resulted in scape-goating - of individuals, groups, regimes and periods - and polemicised assertion instead of analysis. Partisan ideologues have sought to attribute blame rather than illuminate process and to vindicate favoured projects by reference to an idealised past wilfully destroyed or misguidedly jeopardised by political opponents. The literature is littered with 'golden eras', missed opportunities, watersheds and firmly espoused opinions that defy consensus.

Modern Argentinian institutions took shape after 1853. But was the arrangement encapsulated in the 1853 Constitution and the 1880 settlement a model for national development or the particular project of a single group, namely the land-owning class of the littoral provinces? Much of the controversy in the historiography, and arguments about the subsequent course of national history, stem from this question. Thus was born a dichotomised view of state, society and economy. Did the events of 1852 (or 1879/80) liberate the country from a despotic past, substituting constitutionalism and social progress for a bucolic barbarism of anarchy and vice - the politics of contesting rural strongmen (*caudillos*) - and primitive accumulation? Or was a system of traditional values - Roman Catholicism, hierarchy (tempered by rugged individualism and a rude egalitarianism), and national independence - sacrificed on the altar of internationalism in the quest for transient, inequitably distributed, economic gain?

One certainty is that rapid growth in the late nineteenth century was predicated on linkage effects deriving from a favourable factor mix - seemingly inexhaustible stocks of fertile land complemented by imported supplies of capital and labour - and insertion into a dynamic international economy.¹⁴ Around the end of the nineteenth century, public officials and proponents of liberal theory measured growth in terms of increasing population, an expansion in overseas trade, inflows of foreign finance, and rising government expenditure, not least on social overhead capital investment. This tradition has been continued by many historians.¹⁵ But could, or would, rapid export-propelled growth promote self-sustaining development as predicted by classical economic theory? A number of economic and social historians have questioned the inevitability of development. Domestic, structural and conjunctural factors have been identified as limiting the dynamics and the internal economic multiplier and social diffusion affects of export-led expansion. Some authors are content to explain and describe the dimension of the Argentinian failure to sustain growth. Others offer both explanations and solutions.

Several currents may be identified in the economic and social historiography. A revisionist, historicist school challenges assertions about the strength and duration of the 'golden era' of export-oriented growth encountered in the orthodox modernisation literature. A second school (originating in works published around the First World War) articulated what may be described as a nationalist critique and influenced a third approach, structuralism, popularised after the late 1940s. Fourth, dependency writing in the 1960s and 1970s also had an impact on the historiography and was critical of both the 1880 project, the economic and social processes that it engendered and developmentalist solutions to the loss of dynamism sustained in the 1950s and 1960s. Fifth, radical neo-liberal explanations have recently become vogue, challenging interventionist thinking and anti-internationalism associated with some structuralist writing and crude dependency analyses. Authors of this school point to the high cost of economic isolation, even during the problematic 1930s. Sixth, neo-political economists have emphasised social factors responsible for changes in the economic policy regime and, therefore, implicitly for policy errors stressed by neo-liberals and 'mismanagement' targeted even earlier by

14 See R. Cortés Conde *El progreso argentino, 1880-1914* (Buenos Aires, 1979); C.B. Schedvin 'Staples and Regions of Pax Britannica', *Economic History Review* 43:4 (1990) 533-59; V. Vázquez-Presedo, *El Caso argentino: migración de factores, comercio exterior y desarrollo, 1875-1914* (Buenos Aires, 1971).

15 See for example E. Tornquist, *The Economic Development of the Argentine Republic in the Last Fifty Years* (Buenos Aires, 1919). Díaz Alejandro makes use of this material in his classic study, *Essays*, pp.2-3: between 1865/69 and 1910/14 railway mileage grew by an average of 15.4% per annum (compared to 1.4% per annum between 1910/14 and 1925/29); population by 3.4% (2.8%); exports by 6.1% by value (3.9% by volume); imports by 5.4% by value (2.4% by volume); real GDP by at least 5% between the 1860's and 1910s.

structuralists and others. Finally, another body of literature which explores the international conjuncture of the middle third of the twentieth century, held to have been particularly disadvantageous for the republic, echoes some of the arguments advanced for earlier periods by other schools. This list is not comprehensive nor are the schools exclusive. Several attach differing degrees of importance to the same issue or series of events. An interesting feature of the literature is the extent to which Argentinian authors contributing to the academic debate since the 1930s have held political office or served in senior administrative capacities.¹⁶

Túlio Halperín Donghi and others have stressed the relative shortness of the period of really rapid growth, the socially fragmented and politically limited nature of late-nineteenth century modernisation, the perpetuation of sharp regional dichotomies and negative aspects of foreign direct investment.¹⁷ A few illustrations will suffice. Exponents of the liberal development model may have emphasised the utility of immigration from Europe, not least in terms of worker discipline and literacy, but for illiterate *campesinos* the flood of foreign immigrants and capital represented a threat rather than a force for liberation. The response was often violent protest.¹⁸ *Gauchos* and the descendants of ex-slaves, subjected to oppressive vagrancy laws, came to constitute a rural and urban underclass. On the fringe of the export economy, these groups were socially and politically marginalised until the 1940s.¹⁹ For other sectors, too, foreign investment and the growing presence of overseas corporations in the domestic market place was viewed as negative not positive. Crowding out and limited access to credit

16 For example, Raúl Prebisch, Aldo Ferrer, Guido Di Tella and Domingo Cavallo.

17 T. Halperín Donghi, 'The Argentine Export Economy: intimations of mortality, 1894-1930' in G. Di Tella and D.C.M. Platt (eds.), *The Political Economy of Argentina, 1880-1946* (London, 1986); D. Rock, 'Argentina in 1914' in L. Bethell (ed.), *The Cambridge History of Latin America, Volume V: c. 1870-1930* (Cambridge, 1986); J.S. Tulchin 'The Relationship between Labour and Capital in Rural Argentina, 1880-1914' in G. Di Tella and D.C.M. Platt (eds.), *The Political Economy of Argentina, 1880-1946* (London, 1986).

18 E. Gallo 'Argentina: society and politics, 1880-1916' in L. Bethell (ed.), *The Cambridge History of Latin America Vol. V, c. 1870 to 1930* (Cambridge, 1986), pp.370-1; C. Solberg, 'Farm-workers and the Myth of Export-led development in Argentina', *The Americas*, 32:2 (1974) 121-38.

19 R.W. Slatta, *Gauchos and the Vanishing Frontier* (Lincoln, Nebraska, 1983) pp.2-6; R. Salvatore, 'Labor Control and Discrimination: The *contratista* system in Mendoza, Argentina, 1880-1920', *Agricultural History* 60: (1986); R.S. Shipley, 'On the Outside Looking In: a social history of the porteño worker during the "Golden Age" of Argentine Development, 1914-1930', (unpublished PhD dissertation, Rutgers University 1977); Solberg, 'Farm-workers'. For liberal reformers of the period, the *gaucho* were anathema. They epitomised the backwardness of traditional Argentinian society and also constituted a political threat, having been mobilised by Rosas. See D.F. Sarmiento, *Life in the Argentine Republic in the Days of the Tyrants* (New York, 1961), J. Lynch, *Argentine Dictator: Juan Manuel de Rosas, 1829-1852* (Oxford, 1981) pp.38-9, 101-9, 189-92.

confronted would-be domestic entrepreneurs, particularly owners of small firms that proliferated in the depression and war years.²⁰ This was a criticism of export-led growth that would feature prominently in nationalist and structuralist criticisms of the 1930s and 1940s. However, well before the end of the nineteenth century, up-country provincial elites were well aware of the problem. Factions of the old federalist opposition to centralism and dominance by Buenos Aires were less committed to export-led growth than their pampaen counterparts. Insertion in the world system was viewed by many provincial elites as a *porteño* project that afforded only transient benefits and threatened to disturb fragile local power relations.²¹

Around the turn of the century, landowners in the *pampa húmeda* were able to move into high-grade cattle production for the lucrative overseas meat trades. Shifting from sheep to cattle and from live to frozen and, finally, to chilled meat exports, central pampaen producers embarked upon a programme of specialisation that fostered concentration in large units of production thereby curtailing the shift towards medium-scale enterprises associated with the wool cycle of the mid-nineteenth century and later cereal cultivation in the agricultural colonies of Santa Fé, Entre Ríos and Córdoba.²² Did the refocus on cattle-raising in the pampas prevent the emergence of 'model' homestead farming? It has certainly been argued that a rent-seeking rural oligarchy frustrated the development of a dynamic pattern of medium-scale mixed farming.²³ Was the profitability of pampaen pastoralists dependent on the use of political power to rig games rules in favour of the ranching sector?²⁴ Alternately, it may be argued that the switch to

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- 20 J. Teichman, 'Interst conflicts and Entrepreneurial Support for Perón' *Latin American Research Review*, 16:1 (1981) 144-55.
 - 21 D. Rock, *Authoritarian Argentina: the nationalist movement, its history and its impact* (Berkeley, 1993) pp.51-2; Gorostegui de Torres, *La organización nacional*; F.J. McLynn, 'Political Instability in Córdoba Province during the 1860s', *Ibero-Amerikanisches Archiv* 6:3 (1980) pp.263-4. See also N. Botana, *El orden conservador: la política argentina entre 1880 y 1916* (Buenos Aires, 1977).
 - 22 E. Gallo, 'Santa Fe en la segunda mitad del siglo xix: transformaciones en su estructura regional' in T. Di Tella and T. Halperín Donghi (eds.) *Los fragmentos del poder* (Buenos Aires, 1969) and *La pampa gringa: la colonización agrícola en Santa Fe, 1870-1895* (Buenos Aires, 1984); H. Sábato, *Agrarian Capitalism and the World Market: Buenos Aires in the pastoral age, 1840-1890* (Albuquerque, 1990).
 - 23 J.R. Scobie, *Revolution on the Pampas: a social history of Argentine wheat, 1860-1910* (Austin, Texas, 1967), pp.31, 45-6, 50-1; C. Solberg, 'Rural Unrest and Agrarian Policy in Argentina, 1912-1930', *Journal of Inter-American Studies and World Affairs* 13 (1971), and *The Prairies and the Pampas: agrarian policy in Canada and Argentina, 1880-1930* (Stanford, 1987).
 - 24 J.F. Sábato *Nota sobre la formación de la clase dominante en la Argentina moderna, 1880-1914* (Buenos Aires, mimeos/CISEA 1979) passim, especially pp.135-63; A. Pucciarelli, *El capitalismo agrario pampeano, 1880-1930* (Buenos Aires, 1986) pp.55-68; Scobie, *Revolution on the Pampas*; Solberg, *The Prairies and the Pampas*, pp.146-55; Rock, *Argentina*,

prime beef production reflected the entrepreneurial talent of the *bonarense* rural oligarchy and testified to the economic vitality of Argentinian *latifundismo* which, like the English tripartite system of large-scale landownership, tenancy and rural proletariat, permitted flexible, efficient responses to market signals.²⁵ Commodity diversification may also have extended to phase of dynamic export growth.

Irrespective of the constructions placed upon the cause or course of events, it is clear that several groups were excluded from the benefits of, or considered themselves to be marginalised by, the process of export-led growth and that the buoyancy of the sector was beginning to falter in the early decades of the twentieth century. Marginalised sectors such as rural workers, up-country elites and those antagonised by economic and social challenges provoked by export-led growth provided a constituency that opponents of the 'liberal project' and economic internationalism would subsequently find it easy to mobilise.²⁶ As will be argued below, these groups formed the bases of political support for nationalist or interventionist economic policies subsequently held responsible by neo-liberals for undermining Argentinian international competitiveness. If 'closed' policies of the third quarter of the twentieth century account for economic stagnation, institutional inefficiency - political 'exclusion' - around the turn of the century contributed to the formation of the alliances that advanced those policies. Moreover, even if attempts to revise downward the duration of the phase of really rapid export growth are exaggerated, it is clear that 'super export staple' dynamism could not last indefinitely. Hence, it is equally clear that institutional flexibility was vital for continuing economic expansion and that societal factors after the turn of the century tended to reduce rather than enhance institutional flexibility.

Archaic institutions checked economic transformation and proved to be remarkably resilient - or resistant - in the face of capitalist modernisation. According to Brown, patterns of land tenure both reflected a pre-modern social order and perpetuated a system of social discrimination that frustrated societal modernisation along class lines. Hence the authoritarian liberalism of the oligarchic republic resulted from incomplete social change and in turn under-wrote populist experiments of the middle third of the

1516-1982, pp.139-42.

25 Adelman, *Frontier Development*, pp.73-4, 76-7, 78-80, 96.

26 D. Rock, 'The Survival and Restoration of Peronism' in D. Rock (Ed.), *Argentina in the Twentieth Century* (London, 1975), pp.183-4 and *Argentina, 1516-1982*, pp.234-4; C.H. Waisman, *Reversal of Development in Argentina: postwar counterrevolutionary policies and their structural consequences* (Princeton, 1987); P. Waldmann, *El peronismo, 1943-1955* (Buenos Aires, 1981), pp.22-3; Salvatore, 'Labor Control'; F. Luna, *Perón y su tiempo: la Argentina era una fiesta, 1946-69* (Buenos Aires, 1984), especially pp.41-140, 214-48. For a revisionist review of traditional arguments about worker co-optation see W. Little, 'The Popular Origins of Peronism' in D. Rock (ed.), *Argentina in the Twentieth Century*, pp.162-78.

twentieth century.²⁷ Pre-capitalist institutional arrangements were sustained, rather than undermined, by rapid economic growth which fostered the politics of co-option and containment. Subordinate groups, 'class fragments', sectional interests and rival factions were manipulated - and played off one against another - by dominant sectors. Behind the facade of organisational reform, high politics was dominated by a relatively small group of elite families that absorbed aspiring immigrant talent. Hence personalism and authoritarianism were features common to the regime of Rosas, the apparently 'meritocratic' politics of the *pax rosista*, periods of party competition in the twentieth century and, not least, the *peronato*.²⁸ Like Rosas, Perón was able to present himself to the establishment of the day as the alternative to chaos, in the latter case emphasising welfarism as the alternative to socialist revolution.²⁹

A general slowdown in the rate of growth of exports was observed by contemporaries after the turn of the century. They were particularly concerned about the impact of external market volatility on domestic incomes and the overall efficiency of the export sector. While some were critical of mechanisms of the export economy, others were more confrontational, questioning the capacity of the system to deliver what would later be described as structural change. Arguably, the most coherent and consistent criticisms were articulated by conservative nationalists associated with the *Revista de economía argentina*, a journal that circulated amongst an academic, official and, perhaps, business readership.³⁰ The most prolific member of this 'school' was Alejandro E. Bunge who moved from questioning the efficacy of the export-led model to refuting its utility as a vehicle for 'national' development. While others pressed for greater competition among (largely) foreign-owned utility companies and a state-sponsored programme of infrastructural modernisation to make Argentinian commodities more competitive and less exposed to fluctuations in world markets, Bunge argued for tariff reform to foster 'natural' industrialisation and the export of products with higher valued-added. Bunge and the nationalists advocated state action to develop physical resources for internal use. Many items on the Bunge agenda would later find expression in the 1940 project for

27 J.C. Brown, 'The Bondage of Old Habits in Nineteenth-Century Argentina', *Latin American Research Review* 21:2 (1986) 3-32.

28 D.M. Richmond, *Carlos Pellegrini and the Crisis of the Argentine Elites, 1880-1916* (New York, 1989); Rock, *Argentina, 1516-1983*, pp.184-5; Waldmann, *El Peronismo, 1943-55*, pp.38-9, 41; N. Botana, *El orden conservador: la política argentina entre 1880 y 1916* (Buenos Aires, 1979) pp.50-60, 71-9, 152-202; D. Rock, *Politics in Argentina, 1890-1930: the rise and fall of Radicalism* (Cambridge, 1975), pp.265-7.

29 Waisman, *Reversal of Development in Argentina*, pp.212-29, especially p.226. See also Lynch, *Argentine Dictator*, pp.2-3, 123, 125, 157.

30 M. Falcoff, 'Economic Dependency in a Conservative Mirror: Alejandro Bunge and the Argentine frustration 1919-1943', *Inter-American Economic Affairs* 35:4 (1982) 57-75.

economic recovery, a package of measures that in turn influenced post-1946 Peronist strategies.³¹ Proponents of the *Revista de economía argentina* school envisaged also more pro-active social policies, notably in health and housing, to promote natural population growth (rather than immigration), to instill discipline, and to pre-empt 'agitation'.³² There was a distinct Listian and Bismarckian tone to much of this discussion.

Taken together, these views represented a comprehensive re-appraisal of the mechanisms and consequences of national development up to that point. Many of these criticisms were absorbed into subsequent scholarship. In addition, several of the elements of the debate amongst technocrats at this time - external vulnerability, macroeconomic efficiency and the need to promote manufacturing - would later be echoed in early publications of the Economic Commission for Latin America (ECLA). Arguably this is unsurprising as Raúl Prebisch was then beginning his career as a civil servant and academic, initially engaged in editing the economic journal of the influential Banco de la Nación Argentina before serving in more senior capacities at the bank, exchange control commission, the Central Bank and advisor to Federico Pinedo, sometime Minister of Finance who devised the 1940 economic recovery plan. Later, of course, Prebisch would become secretary general of ECLA. Another remarkable feature of the contemporary Argentinian academic debate about economic policy options was its depth and breadth. By the 1910s, individual critics of what would later be called 'export-led growth' were to be encountered in a number of Latin American countries. The Argen-

31 J.J. Llach, 'El Plan Pinedo de 1940, su significado histórico y los orígenes de la economía política del peronismo', *Desarrollo Económico* 23:92 (1983/4).

32 See, in particular, A.E. Bunge, *Riqueza y renta de la Argentina: su distribución y su capacidad contributiva* (Buenos Aires, 1917), *Los problemas económicos del presente: población, trabajo, costo de la vida, poder de la compra de la moneda, producción e industrias nacionales* (Buenos Aires, 1920) *La economía argentina* (1926-8), 'Costo de vida en la Argentina de 1910 a 1917: números indicadores', *Revista de economía argentina* 1:1 (1918). For other 'contemporary' accounts, see also J.B. Gonzáles, *El encarecimiento de vida en la República Argentina* (Buenos Aires, 1908), M.A. Carcano, *Evolución histórica del regimen de la tierra pública, 1810-1916* (Buenos Aires, 1916). For more recent discussions, see N. Girbal de Blacha, *Estado, chacareros y terratenientes, 1916-1930* (Buenos Aires, 1988), H. Sábato, 'Trabajar para vivir o vivir para trabajar: empleo ocasional y escasez de mano de obra en Buenos Aires - ciudad y campaña, 1850-1880' in N. Sánchez Albornoz (ed.), *Población y mano de obra en América Latina* (Madrid, 1985), J. Adelman, 'The Harvest Hand: wage-labouring on the pampas, 1890-1914' in J. Adelman (Ed.), *Essays in Argentine Labour History, 1870-1930* (London, 1992), C.M. Lewis, 'Economic Restructuring and Labour Scarcity: labour in the 1920s', in J. Adelman (ed.), *Essays in Argentine Labour History, 1870-1930* (London, 1992) and 'Social Insurance: ideology and policy in the Argentine, c. 1920-1966' in C. Abel and C.M. Lewis (eds.), *Latin America: welfare, poverty and development* (London, 1983).

tine was exceptional in that 'schools' of thought were emerging, some of them within the regime. Ideas advanced by these schools were sustained over time and offered, in addition, alternative strategies to those then in vogue.³³

Paradoxically, critics of liberal orthodoxy have also been assisted by variants arising within conventional modernisation theory. A controversial study by Guido Di Tella and Manuel Zymelman argues that the gear change from growth to development was far from automatic. Extending stage-theory elaborated by Rostow, they add an extra phase, the 'great delay' (*la gran demora*) when the country failed to accomplish the predicted transition from 'take-off' to 'self-sustaining growth'.³⁴ Accepting this reservation, and opinions advanced in the *Revista de economía argentina*, structuralists refer to a broader mix of flaws and misconceptions in the liberal project. Employing the concepts of centre-periphery and drawing on the debate about secular movements in the terms of trade against primary exporting economies formulated by the Economic Commission for Latin America, the most complete structuralist critique of Argentinian export-led growth has been presented by Aldo Ferrer.³⁵ For Ferrer, export price instability and sluggish growth in the twentieth century were due to a combination of internal and external factors. With the closing of the frontier in the 1920s, the extensive system of production that had prevailed up to that point - dependent on imports of labour and capital to exploit newly incorporated land - was doomed. The precarious nature of extensive patterns of growth exposed past failures to resolve problems of efficiency (associated with the configuration of infrastructural investment, patterns of land tenure and misguided official policy that resulted in regional, sectoral and social imbalance). Ill-considered strategies of 'hot-house' industrialisation undertaken during the 1940s compounded economic disarticulation, a problem that was intensified by systemic changes in the global economic environment. The displacement of Britain, still a relatively open market for River Plate exports, by the USA as the major world trading and investing economy, coupled with an inexorable deterioration in the terms of trade, provoked a cycle of balance of payments crises and inflation that frustrated programmes of adjustment,

33 Rock, *Authoritarian Argentina* pp.120-2, 127-8. For other countries see, A. Encina, *Nuestra inferioridad económica* (Santiago de Chile, 1912) and A. Molina Enriquez, *Los grandes problemas nacionales* (Mexico, 1909).

34 G. Di Tella and M. Zymelman, *Las etapas del desarrollo económico argentino* (Buenos Aires, 1967), *passim*., especially pp.22-32, 71-103 and 'El desarrollo de los espacios abiertos', *El Trimestre Económico* 30:116 (1962).

35 A. Ferrer, *The Argentine Economy* (Berkeley, 1967) and *Desarrollo sin dependencia* (Buenos Aires 1974). Ferrer's ideas were first elaborated in the article 'Los problemas de la transición: el caso argentino', *El Trimestre Económico*, 30:117 (1963) pp.1-14. See also United Nations Organization, Economic Commission for Latin America, 'Economic Development of Argentina' in *Economic Development of Latin America, 1949* (New York, 1951) pp.89-195 and *El desarrollo económico argentino* Vol. I (Mexico, 1959).

triggering an enduring struggle between investment and consumption that in turn fostered political instability for several generations. In the ensuing violence, domestic institutions proved incapable of resolving distributional conflicts without recourse to coercion. The solution to this conundrum, argued Ferrer, lay in comprehensive, state-direct industrial expansion and greater export efficiency. Some of these programmes were not so distant from suggestions offered earlier by conservative nationalists.

Radical critics of both the liberal project and structuralist solutions - import-substituting industrialisation - were indebted to nationalist and structuralist diagnoses. Proponents of various strands of dependency theory highlighted the social and economic distortions resulting from insertion within the world economy. Export-led growth had benefitted a narrow spectrum of society precisely because the model was sectionally conceived by a land-owning oligarchy and its foreign commercial and financial allies. Citing both nationalist attacks of the 1930s on contemporary bilateral relations with Britain (and the pernicious influence of Britain on internal politics and economics in the nineteenth century³⁶) and the supposed positive impact of the First World War and inter-war depression on domestic industrial output, *dependistas* preached social revolution and asserted that autonomous, national development could only result from 'de-linkage', the separation of the Argentine from the international economy.³⁷

Dependistas accepted the constructions placed by *cepalistas* on relative international price movements and their analysis of the inequality of exchange between 'peripheral' primary producing economies and the industrialised 'centre' but rejected structuralist strategies as mere palliatives. Programmes of intervention and forced-industrialisation had not resulted in an efficiently regulated 'semi-closed' economy but induced administrative and productive inefficiency, the result of oligopolist or monopolistic behaviour by powerful, anti-progressive blocs able to command the state. During the period of government-directed, skewed development, income inequalities worsened and transnational corporations penetrated the manufacturing sector, deepening Argentinian dependence. These criticisms triggered debate, had an affect on the political discourse and even inspired direct action by disaffected groups, but did not have a policy impact comparable to *cepalista* developmentalism.³⁸ In the 1970s the dependency critique

36 See, for example, R. Scalabrini Ortíz, *Política británica en el Río de la Plata* (Buenos Aires, 1940) or R. and J. Irazusta, *La Argentina y el imperialismo británico: los eslabones de una cadena, 1806-1933* (Buenos Aires, 1934). For an alternative assessment, particularly of the events on the 1930s, see P. Alhadeff, 'Dependency, Historiography and Objections to the Roca Pact' in C. Abel and C.M. Lewis (eds.), *Latin America: economic imperialism and the state* (London, 1991).

37 J.E. Corradi, *The Fiery Republic* (London, 1985). For more polemical texts, J. Fuchs, *Argentina: su desarrollo capitalista* (Buenos Aires, 1965).

38 G. O'Donnell, *El estado burocrático-autoritario* (Buenos Aires, 1981), especially chapter 5; R. Gillespie, *Soldiers of Perón: Argentina's montoneros* (Oxford, 1982).

became increasingly sterile. It provided a telling comment on post-Second World War uneven development but failed to recognise the evolutionary potential of structuralist prescriptions and the pace of change in the global economy.³⁹

Recent years have seen a re-vindication of liberal - or neo-liberal - orthodoxy. This has been driven by comparative historical analysis as much as by the severity of the Argentinian predicament. By the 1970s, issues such as economic stasis, a crisis of regime legitimacy and proximate institutional collapse were being widely debated by Argentinians who were becoming increasingly aware that the performance of the economy since the Second World War compared unfavourably with the historic record, with the contemporary experience of other large Latin American economies and with traditional reference point such as Italy and Spain or Australia and Canada.⁴⁰ As Table I indicates, notwithstanding the different periodisation adopted by Cortés Conde and Maddison, in comparative terms the loss of economic momentum was greatest in two periods: the years around the World Wars and c. mid-1970/mid-1980s. Neo-diffusionists, in particular, pointed to social and economic costs associated with inward-looking strategies applied from the 1940s to the 1970s that arose from a corruption of market signals. Some authors also devote considerable attention to organisational factors and technical issues such as demographic dependence. These new interpretations of Argentinian economic history draw on the statistical techniques of applied economics and the microeconomic approach of the new political economy in addition to classical economic

39 For a provocative 'traditional' marxist criticism of dependency, see B. Warren, *Imperialism: pioneer of capitalism* (London, 1980). Warren's original statement appeared as 'Imperialism and Capitalist Industrialisation', *New Left Review* 81 (1973). See also the reply by A. Emmanuel *NLR* LXXXV (1974). For revisionist accounts of the achievements of structuralist development strategy, see E. Ablin and J. Katz, 'From Infant Industry to Technology Exports: the Argentine experience on the sale of industrial plants and engineering work' in J. Katz (ed.), *Technology Generation in Latin American Manufacturing Industries* (London, 1987); L.R. Alschuler, 'Argentina: from egalitarian stagnation to authoritarian growth' in L.E. Alschuler (ed.), *Multinationals and Maldevelopment* (London, 1987); M. Rodríguez, B. Kosakoff (eds.), *El desafío de la competitividad: la industria argentina en transformación* (Buenos Aires, 1993).

40 See, for example, D. Díaz Fuentes, *Las políticas fiscales latinoamericanas frente a la gran depresión: Argentina, Brasil y México, 1920-1940* (Madrid, 1993) and *Crisis y cambios estructurales en América Latina: Argentina, Brasil y México durante el período de entre-guerras* (Mexico, 1994); T. Duncan and J. Fogarty, *Australia and Argentina: on parallel paths*, (Melbourne, 1986); J. Fogarty, E. Gallo and H. Diéguez (eds.), *Argentina y Australia* (Buenos Aires, 1979); D.C.M. Platt and G. Di Tella (eds.), *Argentine, Canada and Australia: studies in comparative development, 1870-1965* (London, 1985); D.C.M. Platt (ed.), *Social Welfare, 1850-1950: Australia, Argentina and Canada compared* (London, 1989); I. Ortiz Donat, 'Economic Transitions: state and industry in Argentina and Spain, 1975-1990', unpublished University of London PhD thesis, 1993.

theory in order to analyze the national growth record and make comparisons with other economies.⁴¹

Neo-liberal theorists admit that the international system became increasingly unstable during the second quarter of the twentieth century and that this posed particular problems for the republic. Nevertheless, using the actual growth trajectory of Canada and Australia as a proxy, one recent analysis has calculated that the Argentinian economy would have been at least 50 percent 'larger' (and possibly more than twice as large) in the early 1980s had less isolationist and less interventionist policies been applied since the 1920s.⁴² While many neo-liberals account for poor post-Second World War performance in terms of misconceived strategies and policy errors, some neo-diffusionists caution against glib comparisons with other areas of recent settlement. Taylor, for example, acknowledges that protectionism increased the cost of capital imports, thereby reducing the efficiency of savings, and that prioritising consumption over investment during the early Perón years further reduced the stock of investment resources. Nevertheless, echoing Halperín, Taylor also maintains that relative decline pre-dated the application of overtly statist policies.⁴³ Compared with the main industrialised economies and other areas of recent settlement, Argentinian rates of growth began to falter in the 1920s. Post-war policy mistakes simply widened the gap. For Taylor, high rates of pre-First World War immigration explain lower *per capita* levels of output compared with other areas of recent settlement before that point and higher rates of demographic dependence thereafter. The demographic burden constrained savings, inhibited capital market deepening and generally frustrated domestic capital formation at a critical moment of limited international liquidity in the middle decades of the twentieth century.⁴⁴ In contrast, Canada and Australia enjoyed even more favourable man/land ratios and smaller populations (and much lower rates of immigration). These factors made for substantially higher levels of GDP per capita at the beginning of the century. The income and savings gap between the Argentine, on the one hand, and Canada and Australia, on the other, widened as immigration surged and Argentinian rates of demographic dependence rose (due to natural increase and net immigration). Extending

41 Most of the new political economists writing on the Argentine acknowledge a debt to D.C. North, especially *Structure and Change in Economic History* (New York, 1981) and *Institutions, Institutional Change and Economic Performance* (Cambridge, 1990), and E.L. Jones, *Growth Recurring: economic change in world history* (Oxford, 1988).

42 Y. Mundlak, D. Cavallo and R. Domenech, *Agriculture and Economic Growth in Argentina, 1913-84* (New York, 1989), *passim*, especially pp.116-7,119.

43 A.M. Taylor, 'Three Phases of Argentine Economic Growth', National Bureau of Economic Research, Working Paper Series on Historical Factors in Long Run Growth N° 60 (Cambridge, Mass., 1994).

44 A.M. Taylor, 'External Dependence, Demographic Burdens and Argentine Economic Decline after the "Belle Epoque"', *Journal of Economic History* 52:4 (1992) 916-17, 920-2.

Taylor, similar arguments can be made about welfarism later in the twentieth century. Massive welfare expenditure reduced the 'efficiency' of investment when capital was scarce or induced further rigidity at a time when labour markets were already tightening. Debates about the rate and efficiency of domestic savings and imperfections in the labour market are as applicable in the 1980s and the 1990s as in earlier periods.⁴⁵

Schedvin maintains that location and the nature of export staples (commodity mix and production characteristics) only partly account for decline. Domestic institutional structures were, arguably, more important and explain why the Argentine was even less successful than Australia and New Zealand in escaping from the 'staple trap'. As staples were exposed to diminishing returns, resource flexibility was essential to ensure structural diversification around the original commodity base in order to cater for changing patterns of domestic and global demand.⁴⁶ Imperfectly defined property rights - especially rural property rights, in the first instance, and later uncertainty about interaction between the public and the private domains - limited the social diffusion effects of export production and, along with increasing political instability which resulted in frequent changes in the 'rules of the game', fostered rent-seeking.⁴⁷

Economistic analyses, like those of Schedvin and Taylor, that acknowledge the importance of political economy and institutions implicitly echo Brown. Their work supports socio-political interpretations deriving from the premise that capitalist growth failed to change the basic organisational principles of Argentinian society. This view is obliquely acknowledged in recent interpretations in the political history. Populism, co-optation, distributionism and authoritarianism are the terms that dominate the modern political science literature.⁴⁸ Indeed, ideology and structure were conspicuous by their absence in Argentinian electoral politics of the twentieth century which has been dominated by 'leaders' and 'movements'. In this climate, authoritarianism and the politics of co-optation and exclusion flourished. The success - and survival - of the system depended on growth. The limits of this socio-political arrangement were revealed in the

45 Lewis 'Cycles and Macroeconomic Policy' pp.116-7 and 'Social Insurance' pp.178-9, 194-5.

46 Schedvin, 'Staples and Regions', pp.534, 534. See also, J. Fogarty, 'Staples, Super-staples and the Limits of Staple Theory', in D.C.M. Platt and G. Di Tella (eds.), *Argentina, Australia and Canada: studies in comparative development* (London, 1985).

47 Adelman, *Frontier Development*, pp.67-8; R. Sáutu, 'The role of the Private Sector in the Industrialisation of Argentina', in Lewis and Torrents (eds.), *Argentine in the Crisis Years* pp.159-75.

48 G. O'Donnell, *Bureaucratic Authoritarianism: Argentina, 1966-1973, in comparative perspective* (Berkeley, 1988) and 'Estado y alianzas en Argentina, 1956-76', *Desarrollo Económico*, 16:64 (1977). For a wider discussion of populism, particularly a definition, see M.L. Conniff (ed.), *Latin American Populism in Comparative Perspective* (1982 pp. 13-20, A.E. van Niekerk, *Populism and Political Development in Latin America* (New York, 1974) pp.22-31.

middle decades of the twentieth century. New groups (first the urban middle classes and later urban labour) clamoured for access to the system at precisely the moment when rates of growth began to falter. Consequently, economics and politics became a zero-sum game, perpetuating conflict in place of compromise. The system had proved incapable of establishing institutions able to resolve distributional crises when the domestic and international conjuncture were favourable. Hence systemic weakness was exacerbated by the politics of the new post-Second World War order.⁴⁹ Populist arrangements - loose, multi-class, largely urban alliances headed by a charismatic leader, devoid of ideological consistency or 'ideological project' - provided a facade of innovatory politics that temporarily masked deep-rooted structural fissures in the body politic.

Domestic institutional short-comings were certainly highlighted by a deteriorating external environment. Hitherto closely linked with Britain, the republic was compromised by economic decline and loss of international political prestige by the United Kingdom. If rapid growth and an economic orientation towards Europe in the pre-1930s period had fostered claims to leadership in South America and encouraged the formulation of a foreign policy that was independent of, or antagonistic towards, the USA, such a programme could only be sustained thereafter at great cost. Not least in terms of enabling the country to find in the USA an alternative 'sponsor' in place of the now decadent 'patron', the United Kingdom.⁵⁰ Most students of international economic relations accept that a high price was exacted by the USA for Argentinian neutrality during the Second World War and that Washington was opposed to attempts by Perón to construct a 'third path' that was neither capitalist nor communist in the post-war years.⁵¹ On the eve of the Second World War, the country appeared to be locked into

49 G.W. Merckx, 'Sectoral clashes and political change: the Argentine experience', *Latin American Research Review* 4:3 (1969) 89-116 and 'Recessions and Rebellions in Argentina, 1870-1970', *Hispanic American Historical Review*, 53:2 (1973); Rock, *Politics in Argentina*, pp.265-7; A. Canitrot, 'La experiencia populista de redistribución de ingreso', *Desarrollo Económico* 16:59 (1975); P.H. Smith, *Argentina and the Failure of Democracy: conflicts amongst political elites, 1904-1955* (Madison, 1974); M. Peralta Ramos, *Acumulación de capital y crisis política en Argentina, 1930-74* (Buenos Aires, 1979); R.D. Mallon and J.V. Sourroville, *Economic Policymaking in a Conflict Society: the Argentine case* (Cambridge, Mass., 1975); G.W. Wynia, *Argentina in the Post-War Era: politics and economic policy-making in a divided country* (Albuquerque, 1978); P.J. Lewis, *The Crisis of Argentine Capitalism* (Chapel Hill, 1990).

50 J.J. Llach, 'El plan de reactivación económico ante el Honorable Senado', *Desarrollo Económico* 19:75 (1979) 404.

51 The literature is now extensive: see, for example, C. Buschruker, *Nacionalismo y peronismo: la Argentina en la crisis ideológica mundial, 1927-1955* (Buenos Aires, 1986); C. Escudé, *1942-1949: Gran Bretaña, Estados Unidos y la declinación argentina* (Buenos Aires, 1983) and *La Argentina vs. las grandes potencias: el precio del desafío* (Buenos Aires, 1986); G. Di Tella and D.C. Watt (eds.), *Argentina between the Great Powers, 1939-46*

a commercial and financial relationship with Britain which intensified during the war, much to the annoyance of US business. Blocked sterling balances arising from war-time supplies to the Allies held at the Bank of England appeared to promise preferential access by British exporters to the Argentinian market after the conflict. Yet the country gained little goodwill with the USA for part-financing the Allied war effort. On the contrary, Buenos Aires' insistence on neutrality and maintaining links with the Axis powers aroused the ire of the State Department which was inclined to depict the 1943-46 military regime and Perón as pro-fascist. Paradoxically, with the on-set of the Cold War, the Perón administration was viewed as likely to facilitate communist penetration of the continent. The result was a US trade embargo and an attempt to rig international markets against Argentinian exports. It is more debatable whether the US economic boycott at this point did more than intensify a process of structural and institutional ossification that was already well advanced.

Conclusion

The historiography continues to offer a greater consensus about the origins of growth in the nineteenth century than the causes of stagnation and emerging crisis in the twentieth. Nevertheless, the current attention devoted to political economy points to the centrality of institutional failure as an explanation for decline. Imperfect institutional modernisation may be explained by the mechanics of incorporation in the international economy, the functioning of the global system, and the apparent flexibility of existing domestic political arrangements which accommodated challenge without fundamental change. The external environment undoubtedly had an impact on the performance of the Argentinian economy, irrespective of how that environment is presented. Namely, whether in terms of the extended association with Britain during the second quarter of the twentieth century when the British economy was faltering, the US boycott of the 1940s, the unequal exchange debate popularised by the Economic Commission for Latin America or the less optimistic gloss placed upon the golden era of export-led growth by Halperín and others. Nevertheless, as the global environment was not so dissimilar for other countries which managed to sustain growth and effect a shift from growth to development, the key explanation must lie with domestic institutions.

(London, 1989); M. Rapaport, *Gran Bretaña, Estados Unidos y las clases dirigentes argentinas, 1940-1945* (Buenos Aires, 1980); J.S. Tulchin, *Argentina and the United States: a conflicted relationship* (Boston, 1990). See also, A. O'Connell and J. Fodor, 'La Argentina y la economía atlántica en la primera mitad del siglo veinte', *Desarrollo Económico*, 13:49 (1973) 1-67 and contributions in G. Di Tella and D.C.M. Platt (eds.), *The Political Economy of Argentina, 1880-1946* (London, 1986).

An inter-play of factors and processes can be suggested. By the second quarter of the twentieth century, frontier exhaustion and increasing volatility in overseas markets signalled the end of the extensive growth project. A new model of accumulation was required in order to enhance domestic savings capacity and sustain the transition to a more capital intensive pattern of development. At precisely this point consumptions demands mushroomed as the political system was confronted by new groups striving for access. Unfortunately, the incomplete transformation of Argentinian society during the late nineteenth and early twentieth limited capacity for an efficient resolution of distributational conflict. This resulted in a loss of legitimacy and conditions in which games rules were either imperfectly applied or repeatedly revised, an arrangement that fostered rent-seeking rather than profit maximisation and, ultimately, a zero-sum game in which powerful sections (business, labour, and the state itself) were unable to impose their own project but sufficiently powerful to subvert counter proposals. Institutional fragility or rigidity limited the capacity to respond efficiently to a shifting global and internal environment. Arguably, the combination of pressures - external vulnerability, challenges to an established domestic order and the economics of adjusting from one pattern of accumulation to another - would have taxed even the most robust system. Certainly, it proved a lethal combination for the Argentine.

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